

## **HEALTH AND SOCIAL CARE PARTNERSHIP FINANCIAL STATEMENT 2016/17 AND ASSURANCE OVER THE SUFFICIENCY OF RESOURCES**

### **Aim**

This report aims to set out the Financial Statement for the Scottish Borders Health and Social Care Partnership for the period 2016/17 – 2017/18 (years 2 and 3 indicative only).

In addition, it intends to provide assurance to Integration Joint Board members over the sufficiency of resources within the statement (those delegated to the partnership for 2016/17 and those retained by NHS Borders and set-aside) through:

- Summarising the outcome from due diligence over the historic performance of the functions delegated
- Outlining the approach to identification of the level of resources delegated
- Identification of financial risks inherent within the delegated functions and the level of overall resources supporting them
- Summarising the actions taken by NHS Borders and Scottish Borders Council to mitigating/eliminating the risks identified
- Detailing the peripheral mechanisms through which financial governance will be preserved going forward
- Ensuring compliance with all legislation, guidance and the partnership's Scheme of Integration which thereby allows the board to form a view that the level of resources delegated in 2016/17

### **Background**

The Public Bodies (Joint Working) (Scotland) Act 2014 establishes the framework for the integration of health and social care in Scotland. This legislation requires that the Integration Joint Board produces a Strategic Plan which sets out the services for the population over the medium-term. It also stipulates that the Strategic Plan incorporates a medium-term Financial Plan (3-years) for the resources within its scope comprising of:

- The Delegated Budget: the sum of payments to the Integration Joint Board (IJB)
- The Notional Budget: the amount set-aside by NHS Borders, for large hospital services used by the IJB population

Full transparency of the use of these resources by the IJB population is paramount and the Scottish Borders Council Health and Social Care Partnership is required to publish an annual Financial Statement setting out absolute level of these resources and their planned use.

A premise of the underlying legislation is that through the Strategic Plan, the Integration Joint Board will be able to plan and agree transfers between the notional budget and the delegated budget, based on the capacity required to deliver agreed performance on outcomes and the existing constraints on the use of resources by NHS Borders and Scottish Borders Council. In time, it is fully expected that the relative proportions of partners' contributions to the resources within the scope of the plan will not influence the

proportion of services that will be directed by the IJB through the plan, although it is more than likely and is the basis of the proposed plan for 2016/17, that they are similar.

NHS Borders' Director of Finance and Scottish Borders Council's Chief Financial Officer discharge their responsibilities, as they relate to the resources that are delegated to the IJB, by setting out in the Scheme of Integration the purposes for which the resources are used and the systems and monitoring arrangements for financial performance management. The IJB Chief Financial Officer will establish financial governance systems for the proper use of resources, ensure that the Strategic Plan meets the requirement for best value in the use of the IJB's resources and most prevalently, ensure that directions to NHS Borders and Scottish Borders Council provide for the resources that are allocated in respect of the directions are spent according to the plan. In particular, a fully funded financial plan is required, with clear definition of the assumptions on which it is based, noting any risks inherent and what mitigations may be in place for their management. This is based on the provisions within the Scheme of Integration that set out the method of determining the amounts made available and payments to the IJB both initially and in future years.

This will enable a judgement to be made over the sufficiency of resources available to the IJB to deliver its Strategic Plan and the identification of any risks or further actions that require to be managed and delivered to ensure the IJB is on course to deliver its plans in an affordable and sustainable way.

The Scottish Borders Health and Social Care Partnership's 2016/17 medium-term Financial Statement is detailed in the report appended. The overall levels of resources which are planned to be made available to the partnership in 2016/17 are:

- The Delegated Budget: **£139.150m**
- The Notional Budget: the amount set-aside by NHS Borders, for large hospital services used by the IJB population: **£18.128m**

A total of £157.278m will be made available to the partnership in 2016/17 therefore.

## **Executive Summary**

### *Financial Statement 2016/17*

A full financial statement for 2016/17-2018/19, together with a comprehensive report on assurance over the sufficiency of resources integrated is attached to this covering report.

In general terms, the process of determining the total level of resources to be delegated to the partnership has complied fully with the provisions contained within its Scheme of Integration. The 2016/17 delegated budget therefore is based on previous years' budget levels, adjusted incrementally to reflect:

- Partners' absolute level of funding by the Scottish Government
- Past performance and known areas of financial pressure arising due to cost, demand, legislative and other factors
- Efficiencies and other required savings delivery to ensure overall affordability

- New priorities as expressed within partners' plans and the Integration Joint Board's Strategic Plan
- Other emerging areas of financial impact

A summary of the overall level of proposed Integrated Budget (directly delegated budget plus % notional budget for large hospitals) is detailed below:

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>indicative £'000</b>	<b>indicative £'000</b>
Budget Delegated from NHS Borders	92,619	92,539	92,952
Budget Delegated from Scottish Borders Council	46,531	46,583	47,083
<b>Total Delegated Budget</b>	<b>139,150</b>	<b>139,122</b>	<b>140,035</b>
NHS Borders Large Hospital Budget Set-Aside	18,128	18,160	18,325
<b>Total Integrated Budget</b>	<b>157,278</b>	<b>157,282</b>	<b>158,360</b>

The proposed level of resources provided in the integrated budget by NHS Borders will remain provisional until the Local Delivery Plan is approved by the Scottish Government following submission in May 2016. Additionally, both NHS Borders' and Scottish Borders Council's funding settlements with the Scottish Government are for 2016/17 only and will be subject to change in absolute terms for future financial years. Future year figures should therefore be considered indicative only at this point in time.

There are considerable efficiency / savings assumptions requiring delivery within both NHS Borders and Scottish Borders Council's respective financial plans for 2016/17, on which the proposed levels of delegated and notional resources above are based. Whilst the majority of these savings have been identified and plans have been or are in the process of being developed, the majority remain high risk and in particular, there remains £793k out of total delegated or notional resources of £157.278m requiring further efficiency/service change plans to be identified.

#### *Assurance over the sufficiency of the resources included within the Financial Statement*

In order to provide the IJB with assurance over the sufficiency of the resources included within the Financial Statement, specific scrutiny has been undertaken as part of:

- Due diligence: in determining payment to the IJB in the first year (2016/17) for delegated functions, delegated baseline budgets will be subject to due diligence and comparison to recurring actual expenditure in the previous three years adjusted for any planned changes to ensure they are realistic
- Risk assessment: an assessment has been made, following due diligence, of any recurring areas of financial risk to which the IJB is exposed and where appropriate, the robustness of the arrangements put in place to mitigate them

Full analysis of the outcomes of these processes is detailed in the main report attached, but in summary terms, the key findings/conclusions from this work, through which positive assurance over the sufficiency of 2016/17 integrated resources, at this point in time, can be provided are:

#### Affordability

- There remains current uncertainty over the final settlement of funding in 2016/17 for NHS Borders until such times as the LDP is agreed. Additionally, assurance over future years' funding levels for years 2 and 3 of the IJB's Strategic Plan cannot be provided at this time, although within both partners' respective financial plans, assumed levels based on known factors have been forecast
- Plans to deliver £793k of efficiency / service change savings still require identification. It will be for the IJB, in discussion with its partners to determine where these savings will be made, whether it be within NHS Borders delegated budget or through direction across the functions of the wider partnership

#### Investment and Disinvestment

- Delivery of an ambitious efficiency and savings agenda on which the proposed budget is founded will be challenging and there are varying degrees of risk associated with many of the proposals made. This risk is mitigated in part by the governance and programme management arrangements already in place within NHS Borders and Scottish Borders Council, but regular and frequent progress over their planning and delivery will be required during 2016/17
- Both partners have invested considerably in 2016/17 across all of the areas where the due diligence process has identified sustained and increasing financial pressure over the last 3 years through a process of budget growth to meet historic gaps between the budgeted and actual activity and costs associated with key areas such as GP Prescribing, Care at Home, Residential Care, Night Support and Community-Based services
- Where investment has not been made, there are planned savings targets aimed at realigning actual spend levels to those on which budgets are predicated

#### Emerging Pressures

- There are a number of areas of emerging or unknown financial pressure that may come to bear during or beyond 2016/17 for which no budget provision has been made. These may potentially arise due to a number of factors including legislation changes, activity (demand) or cost increases beyond those forecast, funding arrangements and service shifts. It will be for the IJB to work with its partners to address any such pressures which may emerge in order to identify appropriate remedial action in such an event through the development of one or more appropriate solutions including the use of additional Social Care funding, further targeted in-year savings on service delivery and / or the issuing of supplementary directions over functions to be provided and the resources accompany them

#### Governance

- There are a number of arrangements, much of which is defined within the Scheme of Integration, now in place within both the Integration Joint Board and its partner organisations through which robust governance is discharged covering:
  - Financial management, monitoring and reporting
  - The process through which unforeseen pressures will be addressed
  - How directions will be issued and their content
  - Future financial planning requirements and process
  - Audit and risk management arrangements

## Conclusions

Whilst the medium-term will be challenging and in particular, 2016/17, due to the level of funding available and the efficiencies and other savings requiring delivery in order to make the financial plan affordable, the level of integrated budget will be sufficient to deliver year 1 outcomes of the partnership's financial plan, with the assurance that:

- Known and emerging pressures have been identified within plans and where appropriate, resources have been realigned in order to meet these pressures
- The areas of historic pressure outlined in 2.6 have been addressed as part of financial planning processes
- Robust governance over and planning and management of planned savings measures will exist assuring their delivery in the required timescales
- The IJB will effectively direct the planning and delivery of a further £793k of efficiency savings through reference to the Strategic Plan, a review of current activity levels and associated costs and where appropriate, agreed service changes, including the potential to shift resource from the large-hospitals budget set-aside, should this be appropriate
- With a commitment to collective risk sharing and its joint management between the IJB and its partners and further ongoing working together on bridging the reported current affordability gap, an affordable and balanced financial plan is achievable early in 2016/17

Where variances do emerge as a result of other factors, assurance is provided within the Scheme of Integration and Financial Regulations over the agreed treatment of overspends and planned/windfall underspends. It is expected that the absolute level of resources delegated will vary in 2017/18 from year 1 of the IJB's operation, both in absolute terms and in how it is allocated across functions, as the joint financial planning process supporting the Strategic Plan between the Board and its partners is developed during 2016. This will take account of priorities, changes in activity and cost and other emerging developments / pressures, and over-time, a realignment of both delegated and notional budgets is expected in line with review of these and other factors.

It is important that 2016/17, year 1 of the IJB, is treated as a transitional year, in order to allow further clarity of understanding over budgets, activity levels, service pressures, savings programmes, etc. During this year, partners require to fully own and deliver the planned efficiencies and other savings within the financial plan supporting services which have been delegated and where there is any dispute or concern over the deliverability of any savings proposed by NHSB or SBC between the IJB and any of its partners, then there needs to be a clear process for remediation and agreement. The partnership's Scheme of Integration (section 8.6) provides clear direction as to how any further

pressures arising during 2016/17 should be treated in-year, by both the IJB and, where required its delegating partners.

## Recommendations

It is recommended that the IJB:

- Notes and approves the estimated Health and Social Care partnership budget for 2016/17, including both the element delegated by NHS Borders/Scottish Borders Council and that retained by NHS Borders and set-aside, specifically:

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>indicative £'000</b>	<b>indicative £'000</b>
<b>Budgets Delegated:</b>			
<b>Scottish Borders Council Funding Delegated</b>	46,531	46,583	47,083
<b>NHS Borders Funding Delegated :</b>			
- Primary & Community Services	87,352	87,272	87,685
- Large Hospital Budget	18,128	18,160	18,325
- Social Care Fund	5,267	5,267	5,267
<b>Total Delegated Funding</b>	<b>157,278</b>	<b>157,282</b>	<b>158,360</b>

- Notes the key areas of financial risk in 16/17 and the proposed actions for mitigation
- Instructs the Chief Officer to identify, in partnership with NHS Borders and Scottish Borders Council, further proposals / directions for ensuring that the total budget delegated is fully funded by agreed levels of activity/efficiency savings across both delegated and notional areas of the integrated budget
- Notes the risks which may emerge in future years and consider them and any others which may arise as part of the wider 2017/18 financial planning process

<b>Policy/Strategy Implications</b>	In compliance with the Public Bodies (Joint Working) (Scotland) Act 2014 and any consequential Regulations, Orders, Directions and Guidance. The approach taken complies fully with the Partnership's Scheme of Delegation.
<b>Consultation</b>	The report has been reviewed by both NHS Borders Director of Finance and SBC Chief Financial Officer
<b>Risk Assessment</b>	A full risk assessment and risk monitoring process for the Integration Programme is in place as part of the Integration Programme arrangements.
<b>Compliance with requirements on Equality and Diversity</b>	An equality impact assessment will be undertaken on the arrangements for Joint Integration when agreed, including the Integrated Budget in particular. The pressures / savings proposals within the Council component element of the budget have already been subjected to Equality Impact Assessment.
<b>Resource/Staffing Implications</b>	The report, based on all known factors identified to date and the governance procedures already established within the IJB and its partner organisations and their financial plans, provides assurance over the level of and sufficiency of Partnership resources for 2016/17.

**Author(s)**

<b>Name</b>	<b>Designation</b>
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**Background Papers**

- **ATTACHED** - ANNUAL FINANCIAL STATEMENT 2016/17 AND ASSURANCE OVER THE SUFFICIENCY OF RESOURCES SUPPORTING THE STRATEGIC PLAN 2016/17-2018/19
- **REPORT TO THE IJB 07 MARCH 2016** – “PROGRESS REPORT: HEALTH AND SOCIAL CARE PARTNERSHIP DRAFT FINANCIAL STATEMENT 2016/17 AND ASSURANCE OVER THE SUFFICIENCY OF RESOURCES”